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**Saving Florence Nightingale!**

**Tax Planning Considerations for Traveling Nurses During the Corona Virus Pandemic**

The COVID-19 has turned the world upside and killed a lot of people worldwide. The economy everywhere under the Sun has come to the screeching halt. However, the Chinese character for “danger” also signifies “opportunity.” Such is the case for traveling nurses. Medical necessity during the pandemic has created a critical shortage of skilled nurses and doctors around the country.

Most of the demand has occurred in places deeply affected by the pandemic like New York City, Boston, and Detroit. These circumstances have created a great financial opportunity for traveling nurses. At the beginning of the pandemic, New York City was offering to pay nurses ten thousand dollars per week with free boarding. Nationally the weekly pay for traveling nurses has doubled to approximately $4,000 per week or $16,000 per month or $192,000 per year. In my view the demand is not going away quickly or may remerge in the fall. The tradeoff is that the work is incredibly dangerous. This assignment is effectively the equivalent of combat pay.

This article is designed to provide tax planning strategies for traveling nurses so that they can keep most of what they make in this once in a lifetime opportunity financially for the traveling nurses. After all, it is not how much you make but rather, how much you keep. In states such as New York and California, the impact of state and municipal taxation is onerous.

**Strategy 1- Qualified Retirement Plan with Bells and Whistles**

When you are a sole proprietor, sometimes it is hard to think of yourself as a business. The status of the traveling nurse as an independent contractor creates an opportunity to create benefit programs such as a qualified retirement plan. The contributions to the pension plan are tax deductible. The investment earnings with the Plan are tax deferred until the participant begins to take distributions. A traveling nurse can create a qualified retirement plan (cash balance defined benefit plan; 401k and profit-sharing plan).

The Plan in consideration of the pandemic is designed so that the nurse can make two pension contributions in 2020. The actual funding of the Plan (with the exception of the 401k) can be made as late as September 15, 2021. The plan combination provides an exceptional opportunity depending upon the age of the nurse to deduct all or most of the excess earnings made during the pandemic. It seems that if a nurse is going to expose herself to incredible danger, the nurse should have a legal method to hold on to all or most of the money she earns. It only seems fair!

**Planning Example**

Nurse Judy, age 45, is a single mother with children who works as a traveling nurse. When the pandemic broke, she accepted a contract with a hospital in New York City who agreed to pay her $10,000 per week until the end of 2020. Her mother agreed to watch her children. She expects to earn $280,000 through the balance of 2020. Her net income is 2020 is $325,000. The hospital in New York provides boarding and meals. Nurse Judy would like to maximize her earnings as much as possible. She would like to accelerate payments on her mortgage and save as much money for retirement as possible.

**Planning** **Strategy**

Nurse Judy creates a qualified retirement plan which consists of a cash balanced defined benefit plan, 401k, and profit-sharing plans. The cash balance defined benefit plan includes two ancillary benefits – post-retirement medical care and a cost of living adjustment. The plan is designed so that the contribution will allow for two annual plan contributions in 2020. I mean to say that Nurse Judy will receive a double benefit in 2020. The proposed makes the following contribution in 2020:

Short Plan Year Ending November 30, 2020

1. 401k- $19,500
2. Profit Sharing Plan - $37,500
3. Cash Balance Defined Benefit Plan - $150,000

Total - $207,000

Regular Plan Year Beginning December 1, 2020

1. 401k - $0
2. Profit Sharing - $0
3. Cash Balance Defined Benefit Plan - $68,000

Total – $68,000

The total contribution for tax purposes in 2020 is $275,000. The reality is that Nurse Judy’s income could have been totally sheltered from taxes with higher deductions, but she needs some of the money to lived on. The tax-deductible contributions eliminate approximately $117,000 in federal, state and city taxes in 2020.

**Summary**

Travelingnursesare among the first responders facing grave threats to their own personal health sacrificing for their patients. The stories are mounting about nurses and doctors who are providing a level of personal support to patients in the absence of family visitation. Any way that you look at it, these people are special people and deserve our thanks and appreciation and all of God’s blessings and protection. From a financial perspective, they have a unique financial opportunity in the midst of this danger. The Chinese may be right about one thing – danger does present opportunities. The strategy outlined in this article shows traveling nurses how to maximize this opportunity and hold on to more of their “combat pay.” Be well and stay well!If you would like to speak with me, I can be reached at:

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